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THE CHANGING TAX PIE: TRENDS IN FEDERAL TAX REVENUES

June 1987



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Brooke Claxton Bldg.
Ottawa,
K1A 0K9
(613) 957-2961

Imm. Brooke Claxton
Ottawa,
K1A 0K9
(613) 957-2961

Canada



THE CHANGING TAX PIE: TRENDS IN FEDERAL TAX REVENUES

This fiscal year, Ottawa will collect an estimated \$86 billion from its various taxes. Personal income taxes will contribute \$43.3 billion or 50.3 percent of the total, followed by federal sales and excise taxes (\$22.8 billion or 26.5 percent), other taxes such as unemployment insurance premiums (\$10.1 billion or 11.8 percent) and corporate income tax (\$9.8 billion or 11.4 percent of total tax revenue).

Long-Term Trends

The most striking trend is the increasing reliance on personal income taxes. In 1961-62, Ottawa gathered 34.0 percent of its total tax revenues through personal income tax. This year it will take 50.3 percent of tax revenues from this source. Personal income tax revenue grew by 386 percent in real terms from 1961-62 to 1987-88 (from \$8.9 billion to \$43.3 billion, expressed in 1987 dollars).

Corporate income taxes make up substantially less of the total tax take today than in the past. In 1961-62 corporate income taxes contributed 21.6 percent of all tax revenue but their share is only 11.4 percent today. Corporate tax revenue increased in real terms by only 73 percent from 1961-62 to 1987-88 compared to 386 percent for personal income tax revenue. **Ottawa collects more than four times as much income tax from individuals as businesses.**

Revenue from federal sales and excise taxes and duties rose by 139 percent in real terms from 1961-62 to 1987-88. Their share of total tax revenue, however, declined from 36.5 percent to 26.5 percent during that period.

Figures A and B illustrate the changing federal tax pie.

Recent Trends

The numerous tax changes made over the past three years have enriched Ottawa's tax coffers. Total federal tax revenues (expressed in 1987 dollars) went from \$73.9 billion in 1984-85 to a projected \$86.0 billion in 1987-88 - a substantial 16.4 percent real increase in just three years. Rising revenues from personal income tax and sales and excise taxes and duties account for the increase.

Figure C plots the upward march of personal income tax revenue since 1984. Figure D looks at the corporate income tax take, which has remained level at \$10 billion over the last three years. Figure E illustrates the marked upward trend in federal sales and excise taxes and duties in recent years.

Figure A
Federal Tax Revenue, by Source, 1961-62

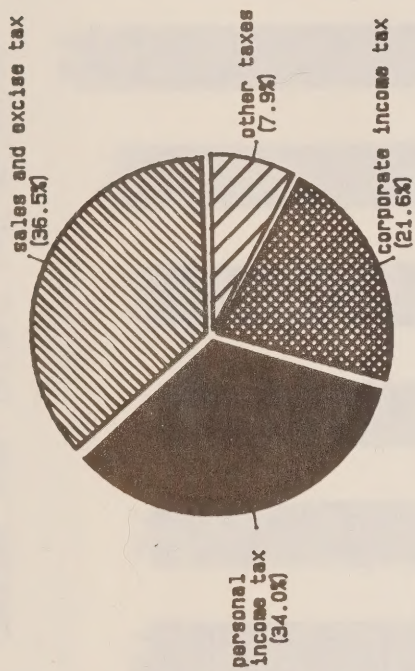
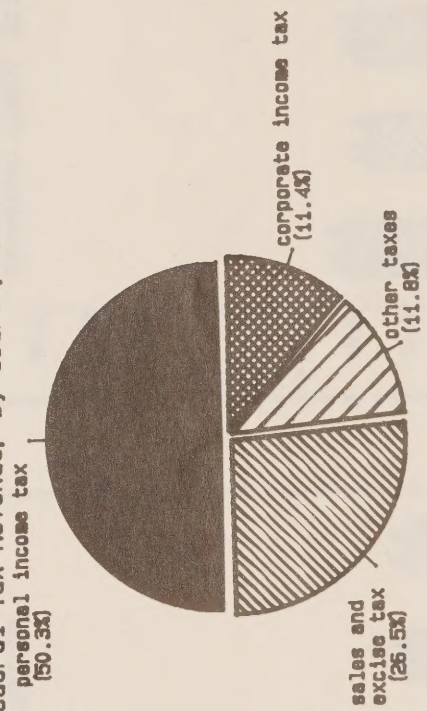


Figure B
Federal Tax Revenue, by Source, 1987-88





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